

# NIKKO AM CORE EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) and Nikko AM KiwiSaver Core Equity Fund invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Equity markets around the world performed strongly over November.
- The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% in local terms.
- The S&P/NZX 50 index had a strong month, up 4.95% and is now up 29.6% year to date.

## Fund Highlights

- The fund ended the month up 6.1%, 1.1% ahead of the index.
- Key positions that added value were overweight positions in Metlifecare, Summerset and A2 Milk. Underweights in Ryman Healthcare, Fisher & Paykel Healthcare and an overweight position in Contact Energy detracted from value.

## Performance

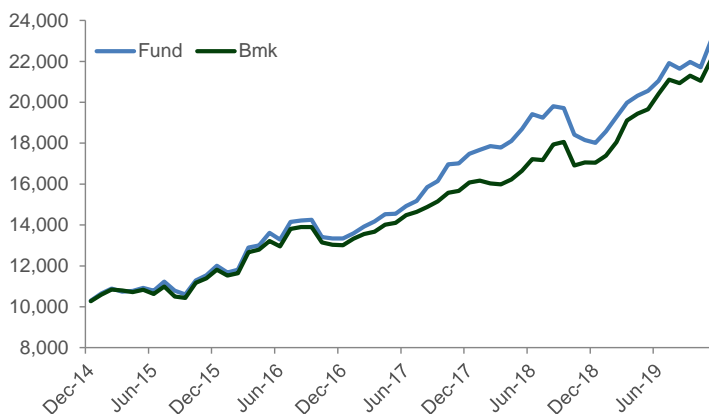
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	6.06%	6.42%	26.88%	19.96%	18.16%	15.67%
Benchmark <sup>2</sup>	4.95%	5.54%	29.46%	19.24%	17.18%	15.15%
Retail <sup>3</sup>	5.98%	6.16%	25.29%	18.39%	16.64%	
KiwiSaver <sup>3</sup>	5.98%	6.26%	26.43%			

1. Returns are before tax and before the deduction of fees.

2. Benchmark: S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

## Five Year Cumulative Performance, \$10,000 invested<sup>1, 2</sup>



## Portfolio Manager

**Stuart Williams,**  
**Head of Equities, CA**



Stuart joined Nikko AM in 2014, he is responsible for the Domestic Equities team and covers the Industrials, Healthcare and Financials sectors. Stuart has over 20 years' experience across the industry with a track record in portfolio management of both benchmark relative and high conviction funds.

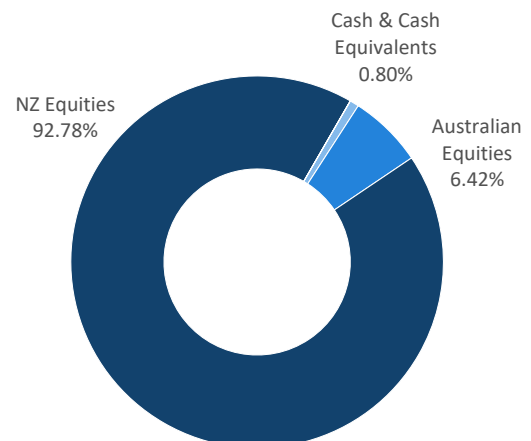
## Overview

The Core Equity strategy seeks growth opportunities by investing in New Zealand and Australian equity markets. Our local equity portfolio management team hand-pick stocks that they believe have potential for growth of income and capital.

## Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

## Asset Allocation



Attribution to Performance (month)			
What Helped:		What Hurt:	
Metlifecare	OW	Fisher & Paykel Healthcare	UW
Summerset Group Holdings	OW	Contact Energy	OW
A2 Milk	OW	Ryman Healthcare	UW
Top 10 Holdings			
The A2 Milk Company	12.30%	Auckland Int Airport	5.58%
Spark New Zealand	9.09%	Summerset Group	4.87%
Fisher & Paykel Healthcare	8.85%	Metlifecare	4.54%
Contact Energy	8.25%	Z Energy	4.30%
Infratil	6.57%	Mainfreight	4.21%
Number of holdings			37

Sector Allocation	Fund	Benchmark
Health Care	20.28%	17.77%
Utilities	20.21%	22.15%
Consumer Staples	13.74%	11.99%
Communication Services	10.19%	9.86%
Industrials	9.79%	15.57%
Energy	7.88%	2.11%
Consumer Discretionary	6.42%	3.28%
Materials	4.44%	3.91%
Real Estate	3.84%	9.80%
Information Technology	2.41%	1.47%
Cash	0.80%	0.00%
Financials	0.00%	2.10%

## Market Commentary

Equity markets performed strongly over the month. The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% in local terms. The New Zealand market saw a sell down of 15 million shares or \$337.5 million of **EBOS Group Limited** (EBO) shares from an existing holder. Also, the property sector was impacted for the third month in a row by a capital raising, this time **Investore Property Limited** (IPL) raised \$60 million to acquire three additional properties. The S&P/NZX 50 index had a very strong month, up 4.95%.

## Fund Commentary

The fund outperformed the market over the month, up 6.06% compared to the 4.95% return of the index. The largest positive contributors to relative return were overweights in **Metlifecare** (MET), **Summerset** (SUM) and **A2 Milk** (ATM). MET rose 21.2% after announcing they have received a takeover offer along with improving housing market data. ATM provided a better than expected update to the market with forecast margins higher than previously guided. The stock rose 19.4% over the month. SUM, also supported by the improving housing market data and no doubt flow on impact from the MET takeover offer, rose 17%. The largest negative contributors to relative return were underweights in **Ryman Healthcare** (RYM) and **Fisher & Paykel Healthcare** (FPH) and an overweight in **Contact Energy** (CEN). RYM moved in line with the rest of the retirement sector and ended the month up 17.0%. FPH continues to perform well following recent earnings forecast upgrades and was up 15.7%. Following last month's hit to the electricity companies due to the aluminium smelter's review of its operation, CEN fell 2.9% this month as it was also impacted by MSCI index movements.

Key portfolio changes in the month included adding EBO through its sell down while increasing positions in CEN, **Meridian Energy** (MEL) and **Z Energy** (ZEL). The fund's positions in **Fletcher Building** (FBU), ATM, **Aristocrat Leisure** (ALL), **NZ Refining** (NZR), **Restaurant Brands** (RBD), SUM and **Viva Energy** (VEA) were all reduced to varying degrees. The fund's small position in RYM was divested. (**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

### Distributions

Wholesale fund: Calendar quarter  
Retail fund: March and September  
KiwiSaver fund: Does not distribute

### Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund  
Retail: 1.02%, refer PDS for more details  
KiwiSaver: 0.97%, refer PDS for more details.

### Hedging

Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%. Currently, the fund's foreign currency exposure is unhedged.

### Buy / Sell spread

0.29% / 0.29%

### Strategy size

\$479.6m

### Strategy Launch

October 2007

## Compliance

The wholesale fund complied with its investment mandate and trust deed during the month.

## Contact Us

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